



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

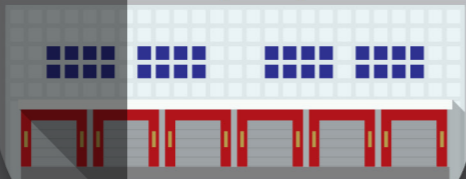
Omaha, NE, Processing and Distribution Center Customer Service Performance

Audit Report

Report Number
NO-AR-16-011

September 23, 2016

NORFOLK, NE, P&DF



GRAND ISLAND,
NE, P&DF



OMAHA, NE, P&DC





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Highlights

The June 2013 consolidation of the Norfolk and Grand Island P&DFs' originating mail operations did not have a negative impact on customer service; however, the January 2015 OWC did adversely impact FCM service performance scores for letters, flats (large envelopes), and postcards.

Background

The U.S. Postal Service uses Area Mail Processing (AMP) guidelines to determine whether to consolidate mail processing functions to reduce costs and maintain quality service.

In 2012, Postal Service management approved the AMP plan to consolidate the Norfolk, NE, and Grand Island, NE, processing and distribution facilities (P&DF) into the Omaha, NE, Processing and Distribution Center (P&DC). The Postal Service completed the originating (outgoing) mail consolidation in June 2013 and began the destinating (incoming) mail consolidation in April 2015. During this second consolidation phase, management decided to move a portion of destinating mail to the Lincoln, NE, P&DF.

On January 5, 2015, the Postal Service revised its First-Class Mail® (FCM) service standards, eliminating single-piece overnight FCM service and shifting some mail from a 2-Day to a 3-Day service standard. These revisions enabled the Postal Service to expand the amount of time each day that it could process mail, a change known as the operational window change (OWC).

In May 2015, Postal Service management suspended all consolidations and, as a result, the Norfolk and Grand Island P&DFs continued to process destinating letters to delivery order.

On March 3, 2016, Nebraska Congressman Jeff Fortenberry requested that we review the cause of ongoing mail service problems reported in the 1st Congressional District of Nebraska.

Our objective was to determine if consolidating the Norfolk and Grand Island P&DFs' mail processing operations into the Omaha P&DC and Lincoln P&DF adversely affected customer service.

What the OIG Found

The June 2013 consolidation of the Norfolk and Grand Island P&DFs' originating mail operations did not have a negative customer service impact. However, we did find that service performance declines corresponded to the OWC and the start of the destinating mail consolidation.

Specifically, the January 2015 OWC adversely impacted FCM service performance scores for letters, flats (large envelopes), and postcards. The service scores for Norfolk and Grand Island declined over 19 percent on average, to 68 percent from more than 87 percent a year earlier. In addition, in April 2015, when the destinating consolidation began, FCM service scores declined about 18 percent to 73 percent from over 91 percent a year earlier.



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We recommended management ensure the Norfolk and Grand Island P&DFs update their operating plans and ensure mail is dispatched timely and delayed mail is correctly recorded on the daily mail condition report.

On June 30, 2016, FCM service performance scores were 88 percent, still below the 91 percent two years earlier. However, in Quarter 3, fiscal year 2016, FCM service performance significantly improved for the Norfolk and Grand Island P&DFs to above the national average for 3-5 day service.

We identified four managerial causes for the overall decline in FCM service performance.

First, management for the Norfolk and Grand Island P&DFs had not updated the plants' operating plans to reflect the consolidations and the OWC. These plans define critical entry times and clearance times that establish the processing windows. Without up-to-date operating plans, management cannot determine proper staffing and scheduling to ensure all mail is processed timely.

Second, on April 13, 2016, we found the Grand Island P&DF had 1,818 FCM letters that were not dispatched on time or recorded as delayed on the daily mail condition report. This occurred because no on-site manager was overseeing mail dispatches and the daily mail condition report count.

Third, during our April 2016 site visit, we observed mail arriving in Omaha from other originating processing facilities too late to be processed for its intended delivery day. From January

through April 2016, the Omaha P&DC recorded an average of 3,604 trays of mail per month as late arriving. The Omaha P&DC does not have a system in place to notify origin facilities of late arriving mail so they can correct the causes of delays.

Finally, the Omaha P&DC was not meeting the established processing times to meet service commitments. This occurred because mail processing managers and supervisors were not following machine processing and maintenance schedules developed with the run plan generator.

Delayed mail increases the risk customers will lose confidence in the Postal Service's ability to provide trusted and reliable service. This could directly harm the Postal Service's brand, lead customers to seek alternative delivery options or use digital alternatives, and, ultimately, reduce revenue.

What the OIG Recommended

We recommended management ensure the Norfolk and Grand Island P&DFs update their operating plans and ensure mail is dispatched timely and delayed mail is correctly recorded on the daily mail condition report. We also made recommendations in another report concerning the tracking and processing of late arriving mail and have initiated a separate audit focused on use of the run plan generator. Therefore, we are not making recommendations in this report about these two issues.

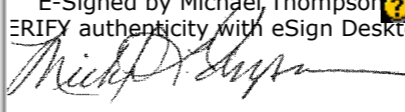
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 23, 2016

MEMORANDUM FOR: GREG G. GRAVES
VICE PRESIDENT, WESTERN AREA OPERATIONS

E-Signed by Michael Thompson
VERIFY authenticity with eSign Desktop


FROM: Michael L. Thompson
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Omaha, NE, Processing and Distribution Center
Customer Service Performance
(Report Number NO-AR-16-011)

This report presents the results of our audit of Omaha, NE, Processing and Distribution Center Customer Service Performance (Project Number 16XG026NO000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Margaret B. McDavid, director, Network Processing, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management
Vice President, Network Operations

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Findings

The June 2013 consolidation of the Norfolk and Grand Island P&DFs' originating mail operations did not have a negative impact on customer service; however, the January 2015 OWC did adversely impact FCM service performance scores for letters, flats (large envelopes), and postcards.

Introduction

On March 3, 2016, Nebraska Congressman Jeff Fortenberry requested that we review the cause of ongoing mail service problems reported in the 1st Congressional District of Nebraska. Congressman Fortenberry noted that letter delivery takes much longer than U.S. Postal Service stated service standards and slower service seems to correlate with the April 2015 consolidation of the Norfolk, NE, and Grand Island, NE, Processing and Distribution Facilities (P&DF).

Our objective was to determine if consolidating the Norfolk and Grand Island P&DFs' mail processing operations into the Omaha, NE, Processing and Distribution Center (P&DC) and the Lincoln, NE, P&DF adversely affected customer service. See [Appendix A](#) for additional information about this audit.

The Postal Service uses Area Mail Processing (AMP) guidelines to determine whether to consolidate mail processing functions to reduce costs and maintain quality service. In 2012, the Postal Service's vice president, Network Operations, approved AMP feasibility studies to consolidate the Norfolk and Grand Island P&DFs into the Omaha P&DC. The approved plan was to implement the consolidations in two phases. The Postal Service completed the originating (outgoing) mail portion of the consolidation in June 2013, and began consolidating the destinating (incoming) mail portion in April 2015.

On January 5, 2015, the Postal Service revised its First-Class Mail® (FCM) service standards, eliminating single-piece overnight FCM service and shifting mail from a 2-Day to a 3-Day service standard. These revisions enabled the Postal Service to expand the amount of time each day that it could process mail, a change known as the operational window change (OWC).

In May 2015, Postal Service management suspended all consolidations and, as a result, the Norfolk and Grand Island P&DFs continue to process destinating letters in delivery sequence. The Postal Service has not provided a date for resuming consolidations and has not completed the destinating consolidation of the Norfolk and Grand Island P&DFs.

Summary

The June 2013 consolidation of the Norfolk and Grand Island P&DFs' originating mail operations did not have a negative impact on customer service; however, the January 2015 OWC did adversely impact FCM service performance scores for letters, flats (large envelopes), and postcards. Service scores declined to 68 percent from over 87 percent a year earlier — a decline of over 19 percent.

In addition, when the destinating consolidation began in April 2015, FCM service scores declined to 73 percent from over 91 percent a year earlier — a decline of about 18 percent. On June 30, 2016, FCM service performance scores were 88 percent, still below the 91 percent two years earlier. However, in Quarter (Q) 3,¹ fiscal year (FY) 2016, FCM service performance significantly improved for the Norfolk and Grand Island P&DFs to above the national average for 3-5 day service.

1 Q1 is October through December, Q2 is January through March, Q3 is April through June, and Q4 is July through September.

We identified four managerial causes for the decline in FCM service performance.

We identified four managerial causes for the decline in FCM service performance:

- Norfolk and Grand Island P&DF management had not updated the plants' operating plans to reflect the consolidations and the OWC. These plans define critical entry and clearance times that establish the processing windows. Without up-to-date operating plans, managers cannot determine proper staffing and scheduling to ensure mail is processed timely.
- On April 13, 2016, we found the Grand Island P&DF had 1,818 FCM letters that were not dispatched on time or recorded as delayed on the daily mail condition report. This occurred because no on-site manager was overseeing mail dispatches and the daily mail condition report count.
- During our April 2016 site visit, we observed mail arriving in Omaha from other originating processing facilities too late to be processed for its intended delivery day. From January through April 2016, the Omaha P&DC recorded an average of 3,604 trays of mail per month as late arriving. The Omaha P&DC does not have a system in place to notify the origin facilities of late arriving mail so they can address the causes of delays.
- The Omaha P&DC was not meeting established processing times to meet service commitments. This occurred because mail processing managers and supervisors were not following machine processing and maintenance schedules with the run plan generator.

Delayed mail increases the risk customers will lose confidence in the Postal Service's ability to provide trusted and reliable service. This could directly harm the Postal Service's brand, lead customers to seek alternative delivery options or use digital alternatives, and, ultimately, reduce revenue.

Service Performance

We obtained service performance data for FY 2013 through June 30, 2016, for the Central Plains District in the following categories:

- External First-Class² (EXFC) Mail Measurement
- Priority Mail
- First-Class Mail Parcels
- Standard Mail
- Periodicals³

² A component of the single-piece FCM measurement system that is designed to measure service performance from a customer perspective. A Postal Service contractor measures the transit time of single-piece FCM (letters, flats, and postcards) from the deposit of mail into a collection box or business lobby chute until its delivery to a home or business. EXFC results are compared with Postal Service service standards to produce national, area, and district level estimates of service performance. Sampled mailpiece tracking from barcode scans is used in conjunction with the external data to extrapolate results to the entire volume of Presort FCM.

³ Postal Service data on Periodicals prior to FY 2015 is unavailable.

Q2, FY 2015 3-5 Day EXFC service performance scores for the Norfolk and Grand Island P&DFs were 68 percent — a decline of more than 19 percent from scores of over 87 percent a year earlier.

Q3, FY 2015 3-5 Day EXFC service performance scores for the Norfolk and Grand Island P&DFs declined to 73 percent from over 91 percent a year earlier — a decline of more than 18 percent.

We compared district to national performance scores to determine if the AMP consolidation affected service. The June 2013 consolidation of the Norfolk and Grand Island P&DFs' originating mail operations did not have a negative customer service impact; however, their EXFC mail performance scores for letters, flats (large envelopes), and postcards began declining after the January 2015 OWC. As of June 30, 2016, EXFC scores had not improved to pre-OWC performance levels and were below national performance and Postal Service target goals. We discuss EXFC performance information further below. The other service indicators were at or above national performance (see [Appendix B](#)).

3-5 Day EXFC

As shown in Table 1, Q2, FY 2015 service performance scores for the Norfolk and Grand Island P&DFs were 68 percent — a decline of more than 19 percent from scores of over 87 percent a year earlier. We attributed this difference to the January 2015 OWC because Q2 begins in January. At the end of Q2, FY 2016 EXFC service performance scores, at 75 percent, were still below the scores prior to the OWC and start of the destinating consolidation.

Table 1. EXFC Service Performance Scores Percent Change for 3-5 Day Mail – Q2, FY 2014, Through Q2, FY 2016

Facility	FY 2014	FY 2015	Change FY 2014 to FY 2015	FY 2016	Change FY 2014 to FY 2016
Norfolk	86.14%	66.64%	-19.50%	74.20%	-11.94%
Grand Island	88.72%	69.47%	-19.25%	76.19%	-12.53%
Average	87.55%	68.26%	-19.29%	75.28%	-12.27%

Source: Enterprise Data Warehouse (EDW).

As shown in Table 2, Q3, FY 2015 service performance scores for the Norfolk and Grand Island P&DFs declined to 73 percent from over 91 percent a year earlier — a decline of more than 18 percent. We attributed this difference to the start of the destinating mail consolidation in April 2015 because Q3 begins in April. On June 30, 2016, EXFC service performance scores were 88 percent compared to 91 percent prior to the OWC and the start of destinating mail consolidation — a decline of about 3 percent.

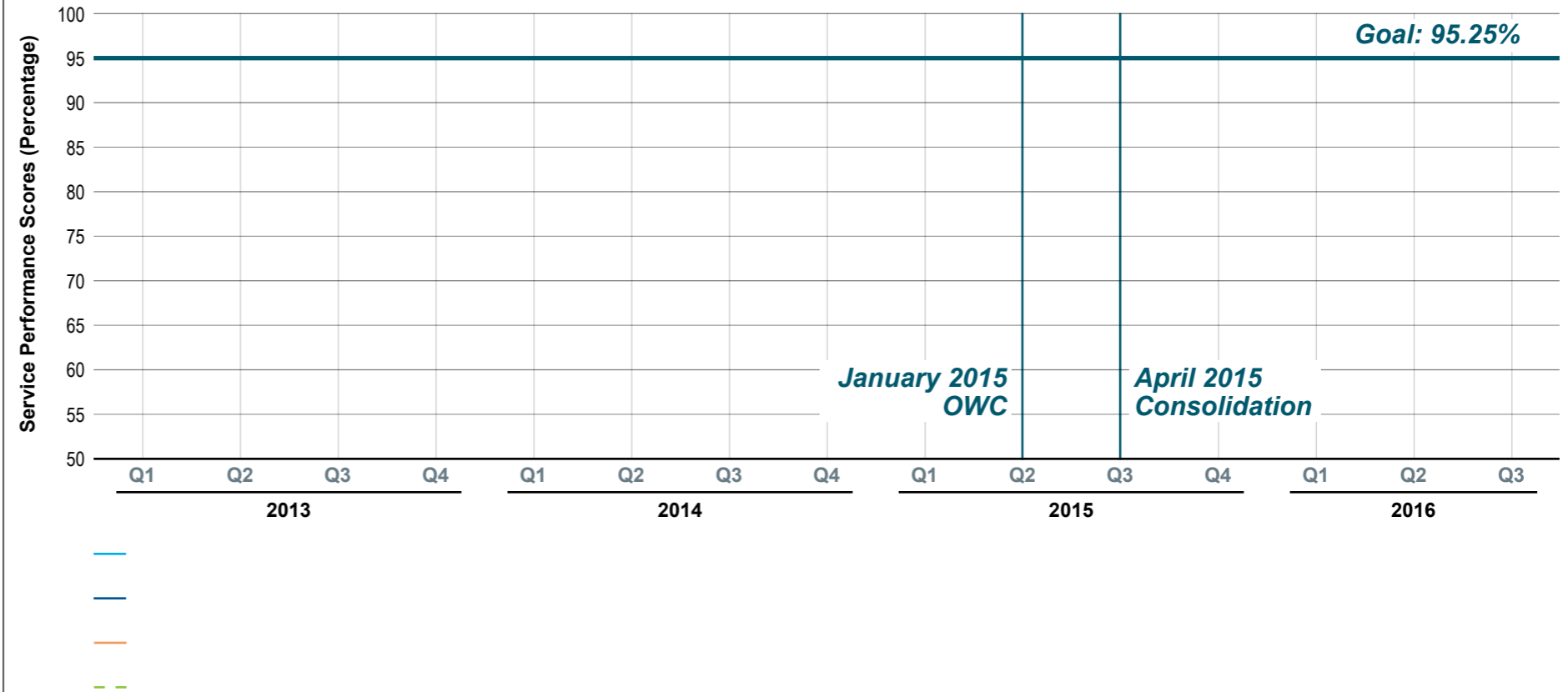
Table 2. EXFC Service Performance Scores Percent Change for 3-5 Day Mail – Q3, FY 2014, Through Q3, FY 2016

Facility	FY 2014	FY 2015	Change FY 2014 to FY 2015	FY 2016	Change FY 2014 to FY 2016
Norfolk	91.14%	70.99%	-20.15%	89.26%	-1.88%
Grand Island	91.50%	76.09%	-15.41%	88.40%	-3.10%
Average	91.34%	73.80%	-17.54%	88.76%	-2.58%

Source: EDW.

In Q3, FY 2016, FCM service performance significantly improved for the Norfolk and Grand Island P&DFs to above the national average for 3-5 Day EXFC performance (see [Figure 1](#)).

Figure 1. 3-5 Day EXFC Performance



Source: Time and Transit Measurement System (TTMS).

2-Day EXFC

As shown in Table 3, Q2, FY 2015 service performance scores for the Norfolk and Grand Island P&DFs declined to 93 percent from 98 percent a year earlier — a decline of more than 5 percent. We attributed this difference to the OWC. As of March 30, 2016, EXFC service performance scores were 91 percent, which is still below where they were before the OWC and the start of the destinating mail consolidation.

Table 3. EXFC Service Performance Scores Percent Change for 2-Day Mail – Q2, FY 2014, Through Q2, FY 2016

Facility	FY 2014	FY 2015	Change FY 2014 to FY 2015	FY 2016	Change FY 2014 to FY 2016
Norfolk	97.96%	96.21%	-1.75%	93.26%	-4.70%
Grand Island	98.40%	90.15%	-8.25%	89.42%	-8.98%
Average	98.19%	93.17%	-5.02%	91.38%	-6.81%

Source: EDW.

As shown in Table 4, Q3, FY 2015 service performance scores for the Norfolk and Grand Island P&DFs fell below 91 percent from over 97 percent a year earlier — a decline of more than 6 percent. On June 30, 2016, EXFC service performance scores were over 94 percent, which was still below where they were before the OWC and the April 2015 partial consolidation.

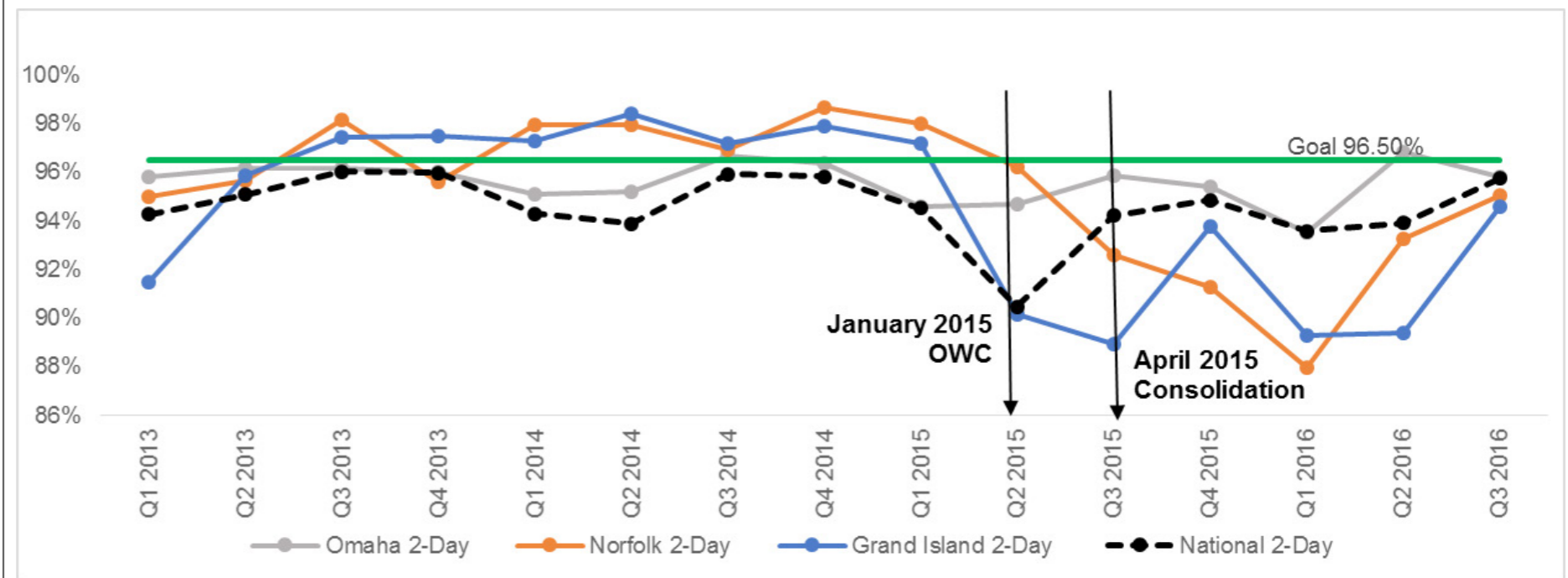
Table 4. EXFC Service Performance Scores Percent Change for 2-Day Mail – Q3, FY 2014, Through Q3, FY 2016

Facility	FY 2014	FY 2015	Change FY 2014 to FY 2015	FY 2016	Change FY 2014 to FY 2016
Norfolk	96.93%	92.62%	-4.31%	95.06%	-1.87%
Grand Island	97.17%	88.92%	-8.25%	94.57%	-2.60%
Average	97.04%	90.80%	-6.24%	94.81%	-2.23%

Source: EDW.

In Q3, FY 2016, the Norfolk and Grand Island P&DFs' 2-Day EXFC performance significantly improved; however, their scores continue to be below the national average and Omaha P&DC performance (see Figure 2).

Figure 2. 2-Day EXFC Performance



Source: TTMS.

As of April 14, 2016, management for the Norfolk and Grand Island P&DFs had not updated the plants' operating plans.

We observed 1,818 FCM pieces that were not dispatched timely or recorded correctly on the daily mail condition report.

Mail Processing

As of April 14, 2016, management for the Norfolk and Grand Island P&DFs had not updated the plants' operating plans. Without current operating plans, management cannot determine proper staffing and scheduling to ensure mail is processed timely. According to the manager, In-Plant Support, operating plans were not updated because the Postal Service planned to consolidate the facilities.

During our April 13, 2016, site visit to the Grand Island P&DF, we observed 1,818 FCM pieces that were not dispatched timely or recorded correctly on the daily mail condition report. These pieces were counted as on-hand, but not as delayed. This occurred because no manager was on-site overseeing mail dispatches or the daily mail condition report count.

We observed mail arriving in Omaha from other originating processing facilities too late to be processed for its intended delivery day. From January through April 2016, the Omaha P&DC recorded an average of 3,604 trays of mail per month as late arriving. This mail was late because of delays in the transportation network and origin facilities not meeting established clearance times. The Omaha P&DC does not have a system in place to notify the origin facilities of late arriving mail so they can address causes of delays.

Mail was also delayed because the Omaha P&DC is not meeting established clearance times when processing originating and destinating mail. This occurred because mail processing managers and supervisors are not following the Run Plan Generator⁴ report.

We made recommendations in another report⁵ concerning the tracking and processing of late arriving mail and have initiated a separate audit focused on use of the run plan generator. Therefore, we are not making recommendations in this report about these two issues.

Other Issues

We identified 356 collection box pick-up time changes up to 160 minutes earlier in the Norfolk and Grand Island service areas, although the AMP feasibility studies stated there would be no changes. In addition, mail collection trucks from delivery stations in the Norfolk and Grand Island service areas are departing before carriers return from their routes and the retail windows are closed. Mail collected after trucks departed remained at the station until the next day. Central Plains District management made the changes because they need all collection mail to arrive in Omaha by 8 p.m. for processing. The delivery stations transferring through Norfolk are up to 285 miles from Omaha and the delivery stations transferring through Grand Island are up to 272 miles from Omaha.

We are not making any recommendations related to these two issues, but consider them important to mention. Postal Service customers may think their mail is beginning its processing journey the day they provide it to the Postal Service but, in these instances, it is not processed until the following day.

⁴ A schedule of mail processing and maintenance runs using a site's preferred sort programs and machines to handle an expected mail volume.

⁵ *Mail Processing and Transportation Operational Changes* (Report Number NO-AR-16-009, dated September 2, 2016).

Recommendations

We recommend management ensure the Norfolk and Grand Island P&DFs update their operating plans and ensure mail is dispatched timely and delayed mail is correctly recorded on the daily mail condition report.

We recommend the vice president, Western Area:

1. Ensure the Norfolk, NE, and Grand Island, NE, Processing and Distribution Facilities update their operating plans in accordance with Postal Service policy to reflect the operational window change and completed portions of the consolidations.
2. Ensure mail is dispatched on time and delayed mail is recorded correctly on the daily mail condition report.

Management's Comments

Management agreed with the findings and recommendations.

Regarding recommendation 1, management stated they will update the operating plans for the Norfolk, NE, and Grand Island, NE, P&DFs to reflect the operational window change and completed portions of the consolidations. The target implementation date is September 30, 2016.

Regarding recommendation 2, management stated they have trained Grand Island P&DF management employees, including the operations support specialist and supervisor of distribution operations, on the Mail Condition Reporting System (MCRS). They have adjusted management schedules to cover days off to ensure facility employees dispatch mail on time and record delayed mail properly. They also provided training on the proper clearance and dispatch of all mail flows. In addition, in-plant support employees or their designees from the Omaha P&DC will review the established processes quarterly and conduct a mail flow audit to validate proper MCRS reporting. The target implementation date is September 30, 2016.

See [Appendix C](#) for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Background

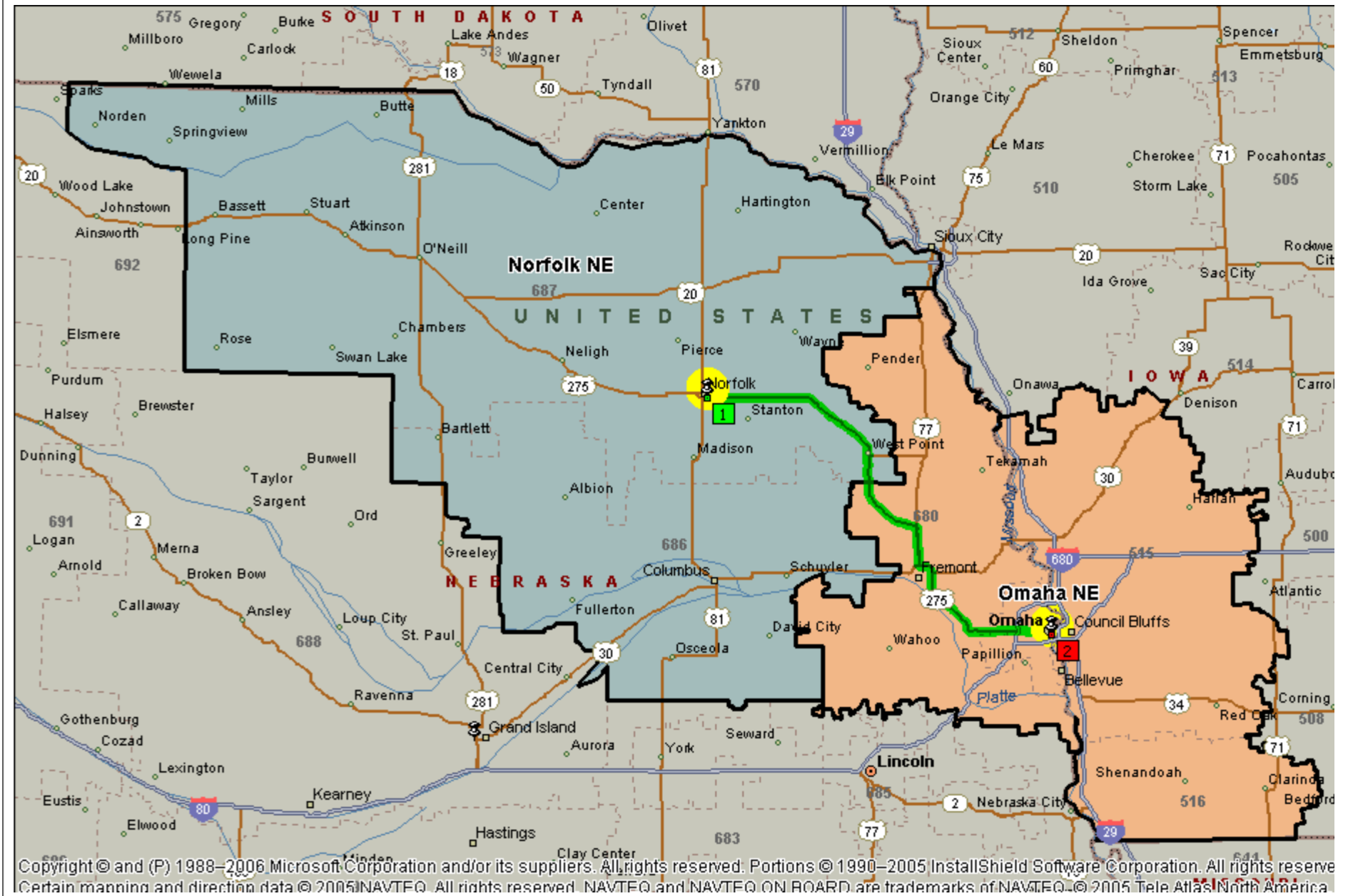
In 2011, the Postal Service announced the Network Rationalization Initiative (NRI), which involved potentially consolidating or closing 252 of 487 mail processing facilities. During Phase 1 of the NRI in 2012 and 2013, the Postal Service consolidated 141 mail processing facilities. On June 30, 2014, the former postmaster general announced that, starting January 2015, 82 mail processing facility consolidations would be completed in Phase 2 of the NRI. Thirty-seven of the 82 consolidations had already started. From the time of the initial NRI announcement, mail volume continued to decline, indicating the need for further mail processing facility consolidations.

The Postal Service uses AMP guidelines to determine whether to consolidate mail processing functions to reduce costs and maintain quality service. In 2011, the Postal Service completed AMP feasibility studies to consolidate mail processing operations at the Norfolk and Grand Island P&DFs into the Omaha P&DC. These processing facilities are in the Central Plains District. In February 2012, both AMP consolidations were approved. The plan was to implement the consolidations in two phases. The Postal Service completed the originating mail portion in June 2013, and began the destinating mail portion in April 2015. The Norfolk P&DF is 117 miles from the Omaha P&DC (see [Figure 3](#)) and the Grand Island P&DF is 151 miles from the Omaha P&DC (see [Figure 4](#)). The delivery stations transferring through Norfolk are up to 285 miles from Omaha and the delivery stations transferring through Grand Island are up to 272 miles from Omaha.

The following ZIP Codes were affected by the move:

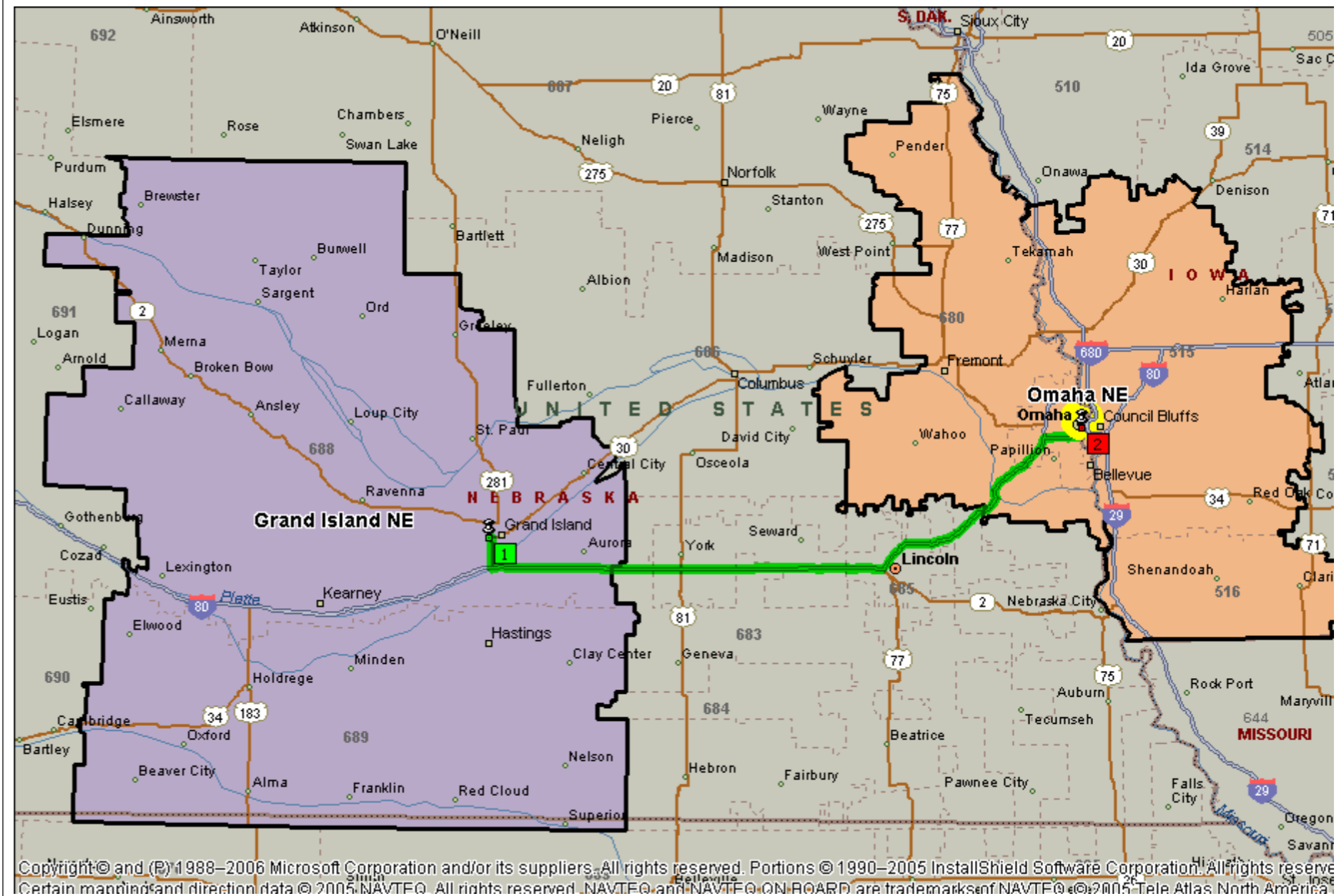
- Losing facility (Norfolk P&DF) - ZIP Codes 686, 687
- Losing facility (Grand Island P&DF) - ZIP Codes 688, 689
- Gaining facility (Omaha P&DC) - ZIP Codes 515, 516, 680, 681

Figure 3. Distance From Norfolk P&DF to Omaha P&DC



Source: AMP feasibility study.

Figure 4. Distance From Grand Island P&DF to Omaha P&DC



Source: AMP feasibility study.

The Postal Service subsequently revised FCM service standards nationwide on January 5, 2015. This change, which allowed the Postal Service to expand its mail processing operational window, is referred to as the OWC. The changes eliminated single-piece overnight FCM service and shifted a portion of mail from a 2-Day to a 3-Day service standard.

In June 2013, the Postal Service moved originating mail from the Norfolk and Grand Island P&DFs to the Omaha P&DC and, in April 2015, moved a portion of Norfolk's destinating mail to the Omaha P&DC (parcels and machinable flats). In addition, the Postal Service moved a portion of Grand Island destinating mail to the Lincoln P&DF and the Omaha P&DC. According to the manager, In-Plant Support, Omaha P&DC, management decided to move flat mail processing for Grand Island to Lincoln instead of installing an additional flat sorting machine in Omaha because Lincoln had processing capacity available and is geographically closer to Grand Island.

In May 2015, the Postal Service's chief operating officer announced the Postal Service would delay implementing any planned consolidations. As of this date, the Postal Service has not provided a date to resume consolidations and it has not completed the planned destinating consolidations of the Norfolk and Grand Island P&DFs.

On March 3, 2016, Nebraska Congressman Jeff Fortenberry requested that we review the cause of ongoing mail service problems reported in the 1st Congressional District of Nebraska. He noted that letter delivery takes much longer than the Postal Service's stated service standards and this seems to correlate with the Postal Service's April 2015 consolidations.

Objective, Scope, and Methodology

Our objective was to determine if consolidating the Norfolk and Grand Island P&DFs' mail processing operations into the Omaha P&DC and Lincoln P&DF adversely affected customer service.

To accomplish our objective, we:

- Reviewed and assessed the relevant consolidation documentation to determine sources and types of mail that were consolidated and the identified service standard changes resulting from these consolidations and the OWC.
- Reviewed and analyzed service performance and delayed mail before and after consolidations, as well as before and after the OWC.
- Conducted site visits and interviewed Postal Service management at the Norfolk and Grand Island P&DFs and at the Omaha P&DC to determine how mail is being processed and identify any delays and potential causes affecting service.
- Analyzed portions of the AMP feasibility studies that support consolidating the Norfolk and Grand Island P&DFs into the Omaha P&DC.

We conducted this performance audit from March through September 2016, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on August 30, 2016, and included their comments where appropriate.

We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Timeliness of Mail Processing at the North Houston, TX, Processing and Distribution Center</i>	NO-MT-16-002	2/29/2016	None
Report Results: The report determined the North Houston P&DC had difficulty processing mail on time. From September 1 through November 30, 2015, the P&DC had about 54 million delayed mailpieces, compared to about 20 million for a similar-sized facility with the second most delayed mail during that period. In addition, the North Houston P&DC had almost twice as much delayed mail as a percentage of first-handling pieces (FHP) compared to similar-sized facilities. We recommended management continue to monitor and mitigate delayed mail, fill staff vacancies and management positions to ensure adequate staffing and supervision, update the mail processing operating plan to reflect changes to operations resulting from the consolidation and OWC, and update the run plan generator and adjust machine time as necessary. We also recommended management increase machine runtime and productivity, ensure management and staff comply with standard operating procedures for mail transport equipment management, and ensure corrective actions are taken to address the reported security deficiencies. Management agreed with the recommendations.			
<i>Rock Springs, WY, Customer Service Mail Processing Center Consolidation</i>	NO-AR-16-006	1/7/2016	\$237,122
Report Results: The report determined that a business case exists to support consolidating the Rock Springs Customer Service Mail Processing Center (CSMPC). We estimated the partial consolidation should save the Postal Service about \$1.6 million annually, which is \$237,122 more in savings than the Postal Service estimated. We found the Postal Service overestimated management workhour and maintenance savings but underestimated transportation savings and did not include the CSMPC's automated flat volume in the AMP feasibility study. This could also impact the savings identified in the AMP feasibility study. We recommended management re-evaluate management workhour, maintenance, and transportation savings and determine and document the impact from excluding the automated flat volume from the CSMPC AMP feasibility study during the first post-implementation review. We further recommended management ensure collection box times are appropriately analyzed and accurately reflected in all AMP feasibility studies, and adjust transportation and other operational requirements to ensure it meets service commitments in Rock Springs.			
<i>Timeliness of Mail Processing at the Denver Processing and Distribution Center</i>	NO-MT-16-001	12/3/2015	None
Report Results: The report determined the Denver P&DC had difficulty processing mail on time. From July 1 through August 7, 2015, the Denver P&DC's delayed mail increased by 15.4 million mailpieces, or 1,797 percent, compared to the same period last year (SPLY). Compared to similar-sized facilities, the Denver P&DC had the most delayed mail as a percentage of FHP. We recommended management continue to monitor delayed mail, and improve the mail flow to increase machine runtime and productivity. We also recommended management fill manager and supervisor positions to ensure adequate supervision, and ensure Periodicals and Standard Mail meet the critical entry times. Management agreed with the recommendations.			

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Iron Mountain, MI, Processing and Distribution Facility Consolidation</i>	NO-AR-16-003	10/19/2015	None
Report Results: The report determined that a business case exists to support consolidating the mail processing operations from the Iron Mountain P&DF into the Green Bay P&DC. However, we found the Postal Service overestimated annual cost savings by about \$837,000. Specifically, it overestimated transportation savings, management, and mail processing craft workhour savings. We recommended management re-evaluate transportation and workhour savings in the Iron Mountain AMP feasibility study and make adjustments during the first post-implementation review. Management generally agreed with the recommendation but disagreed with a portion of the savings shortfall.			
<i>Consolidation of the Kalamazoo, MI, and Lansing, MI, Processing and Distribution Centers</i>	NO-AR-16-001	10/2/2015	None
Report Results: The report determined that a business case exists to support consolidating the Kalamazoo and Lansing P&DCs. However, we found the Postal Service overestimated annual cost savings by about \$791,000 for the Kalamazoo P&DC and about \$1 million for the Lansing P&DC by misstating transportation and management workhour savings. We estimated the Kalamazoo and Lansing P&DC consolidations will save about \$7 million and \$9.9 million per year, respectively. We recommended management re-evaluate transportation and management workhour savings contained in the Kalamazoo and Lansing AMP feasibility studies and make adjustments during the first post-implementation review. We also recommended management adjust transportation and other operational requirements to ensure the Grand Rapids P&DC and P&DF meet service commitments. Management generally agreed with the recommendations but disagreed with a portion of the savings shortfall.			
<i>Management Alert – Substantial Increase in Delayed Mail</i>	NO-MA-15-004	8/13/2015	None
Report Results: The report determined mail was not being processed timely throughout the country. We found that, in the first 6 months of 2015, delayed processing increased by about 494 million mailpieces (a 48 percent increase), compared to the SPLY. We recommended management continue to monitor and mitigate delayed mail, assign appropriate staffing and conduct training to ensure timely processing of the mail, ensure appropriate transportation is in place to help meet the new service standards, and establish criteria for determining if the network has stabilized and ensure the criteria are met prior to resuming the Phase II consolidations or conducting any other optimization efforts. Management agreed with the recommendations.			
<i>Area Mail Processing Consolidations</i>	NO-AR-15-007	6/5/2015	None
Report Results: The report determined that AMP guidelines provided sufficient instruction for justifying consolidations and required analysis and disclosure of the impact on delivery service standards. We also analyzed 60 Phase 2 consolidations approved in 2012 and 2013, and determined they were cost justified and all yielded cost savings. However, the process should be more transparent. Management disagreed with the recommendations to update AMP guidelines to include determining a timeframe for implementing an AMP consolidation once a feasibility study is approved and define the term “substantive change.” Management agreed with the recommendation to require weekly updates of the public notification website.			

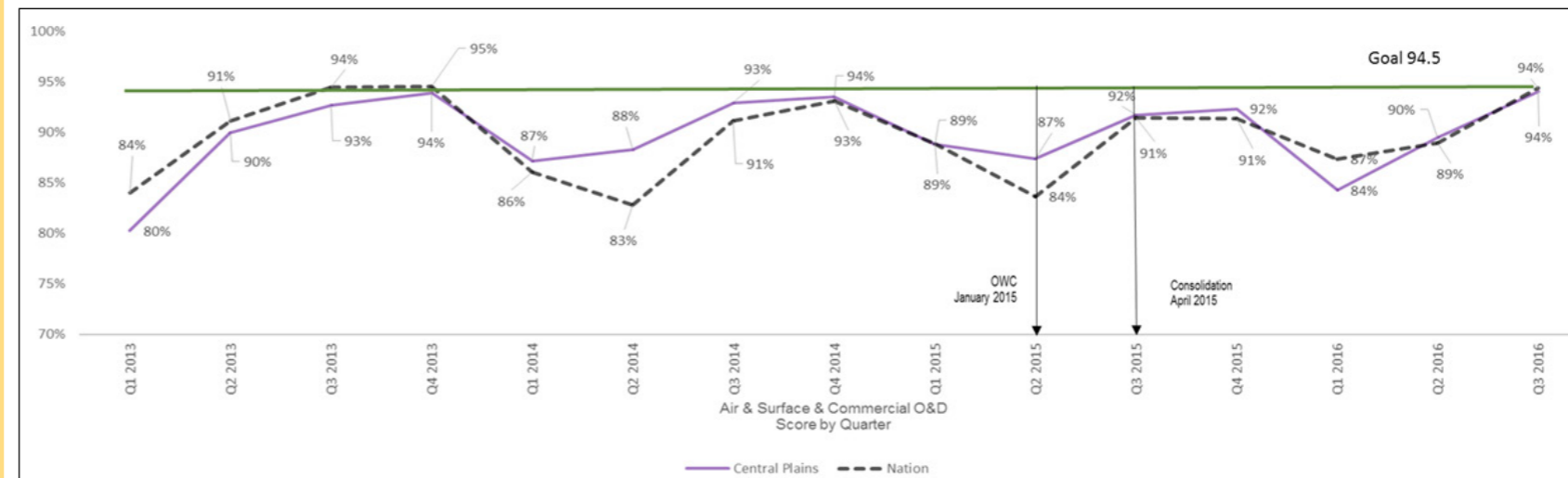
Report Title	Report Number	Final Report Date	Monetary Impact
<i>Management Alert – Mail Processing Operations at the Southern Maine Processing and Distribution Center</i>	NO-MA-15-003	5/11/2015	None
Report Results: The report determined the Southern Maine P&DC experienced difficulty timely processing mail due to operational changes made in response to service standard revisions. Before the P&DC made operational changes, delayed mail for the entire fiscal year was just 0.17 percent of total FHP mail volume. However, the week operational changes were made in response to service standard revisions, delayed mail significantly increased to 12.47 percent of total FHP volume. The week after the P&DC made the operational changes, delayed mail decreased to 1.15 percent of total FHP volume. We recommended management continue to monitor and mitigate delayed mail, and update the Southern Maine's official operating plan to reflect current operations and ensure it is kept updated. Management agreed with the recommendations.			
<i>Lack of Service Standard Change Information in Area Mail Processing Feasibility Studies</i>	NO-MA-15-001	10/6/2014	None
Report Results: The report determined that the Postal Service has not analyzed the impact of planned service standard changes or informed stakeholders of the changes related to Phase 2 consolidations. Specifically, management did not complete the service standard impacts worksheet for 91 of the 95 AMP feasibility studies. We recommended the Postal Service complete the service standard impacts worksheet in all of the AMP feasibility studies for Phase 2 Network Rationalization Initiatives scheduled to begin January 5, 2015, and evaluate the impacts that revised standards will have on each affected community before implementing the consolidations. Management partially agreed with the recommendation and stated that service standard impacts information is ordinarily included in individual AMP final decision packages.			

Appendix B: Performance Measures

Priority Mail

Service performance for Priority Mail in the Central Plains District is at or very close to national performance levels, except for Q1, FY 2013, and Q1, FY 2016. We found that Priority Mail service performance for Q1, FY 2013, and Q1, FY 2016, was below national performance, possibly because of seasonal volume increases during the holidays (see Figure 5).

Figure 5. Priority Mail

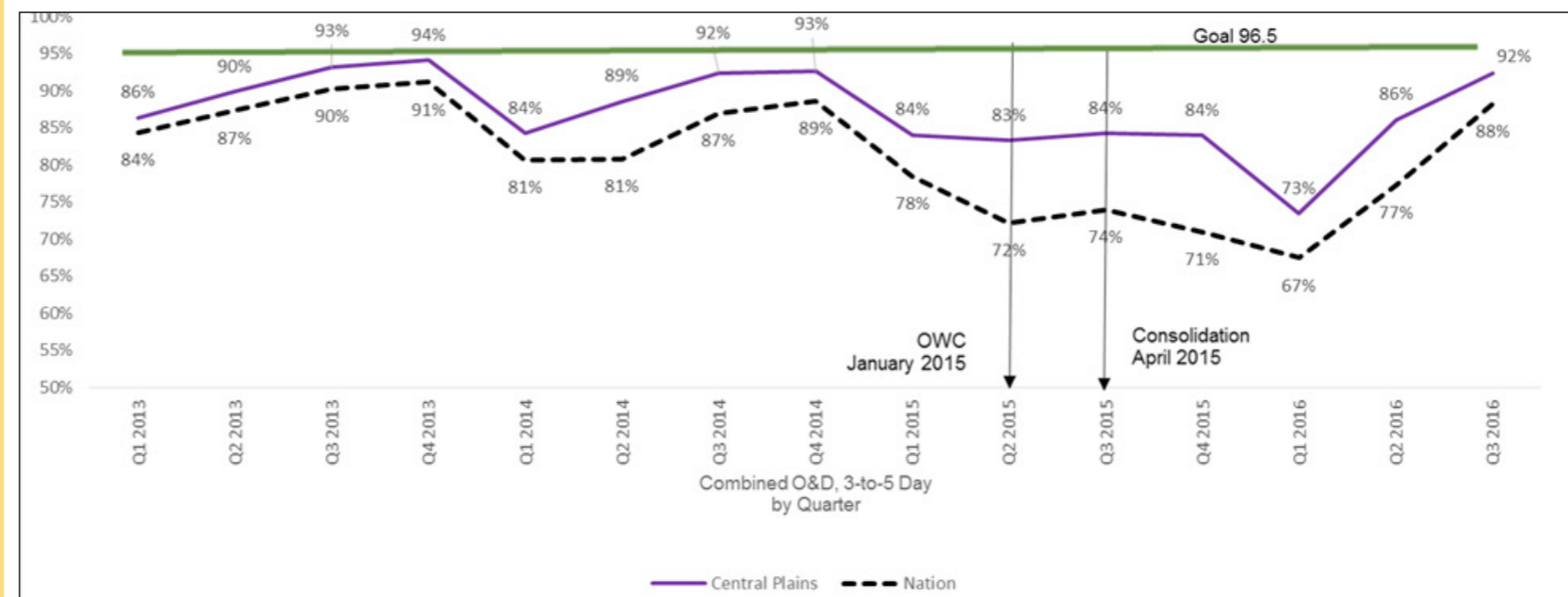


Source: Service and Field Operations Performance Measurement (SFOPM).

First-Class Mail Parcels

FCM Parcels Combined Origin and Destination 3-to-5 Day scores for the Central Plains District were consistently higher than national scores from FY 2013 to Q3, FY 2016. This includes before and after AMP consolidations and the OWC (see Figure 6).

Figure 6. FCM Parcels

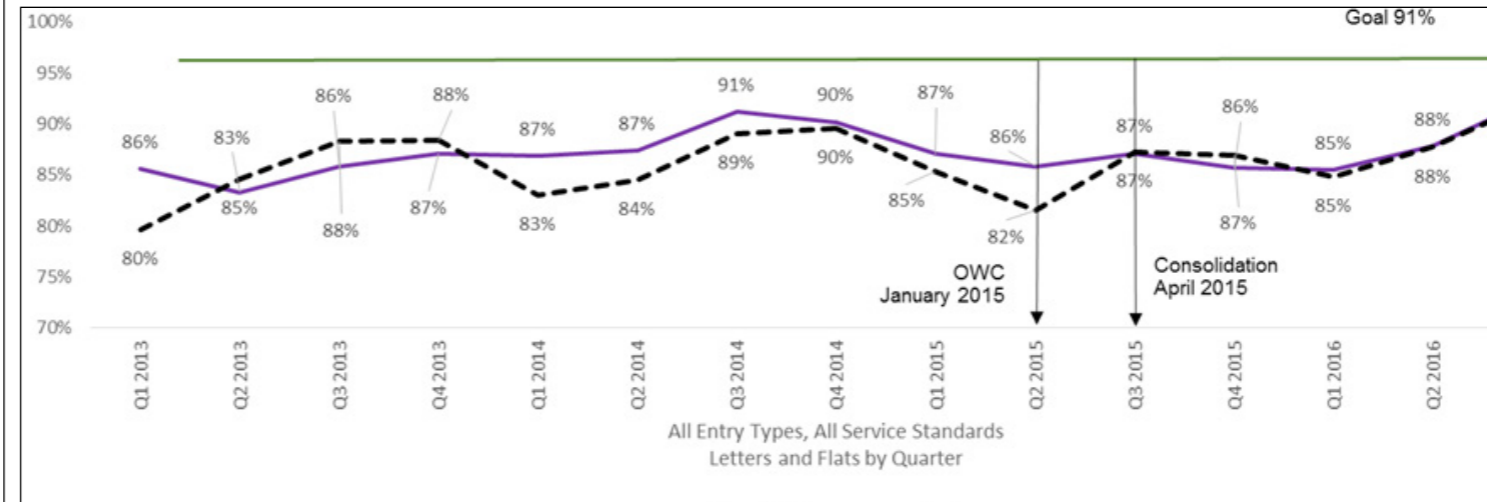


Source: SFOPM.

Standard Mail

Scores for Standard Mail letters and flats were better than national scores in 9 of the 15 quarters we looked at. For the 5 quarters where the Central Plains District did not outperform national scores, its performance was between 0.12 percent and 2.47 percent lower than national performance. During key changes — including implementing the OWC — the district performed better. For the first quarter following the April 2015 AMP consolidations, scores were about the same (see Figure 7).

Figure 7. Standard Mail

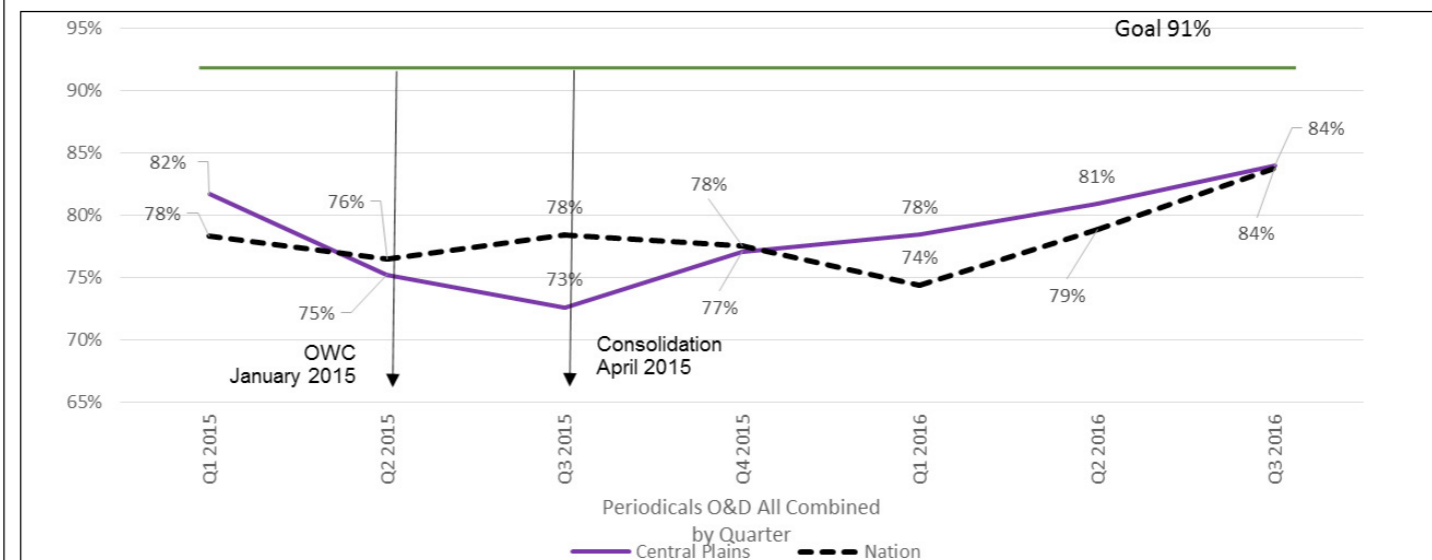


Source: SFOPM.

Periodicals

The combined score for all Periodicals in the Central Plains District was above national scores on December 31, 2014, but below them after this date, including during the OWC on January 5, 2015. Scores in the Central Plains District continued to fall below national scores until September 30, 2015. District-level scores are currently above national performance scores (see Figure 8).

Figure 8. Periodicals



Source: TTMS.

Appendix C: Management's Comments

VICE PRESIDENT, WESTERN AREA OPERATIONS



September 20, 2016

To: LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft - Omaha, NE, Processing and Distribution Center Customer Service Performance

In response to the referenced audit at the Omaha, P&DC we offer the following:

Recommendation 1

Ensure the Norfolk, NE and Grand Island, NE Processing and Distribution Facilities update their operating plans in accordance with Postal Service policy to reflect the operational window change and completed portions of the consolidations.

Management Response/Action Plan

Management agrees with the recommendation. Operating plans for both the Norfolk, NE and Grand Island, NE Processing and Distribution Facilities will be updated using the Mail Processing Operating Plan System (MPOPS).

Target Implementation Date:

September 30, 2016

Responsible Official:

Sr Plant Manager, Central Plains District

Recommendation 2:

Ensure mail is dispatched on time and delayed mail is recorded correctly on the daily mail condition report.

Management Response/Action Plan:

Management agrees with the recommendation for the Grand Island P&DFS. To ensure mail is dispatched on time and delayed mail is recorded properly at the Grand Island, NE Processing and Distribution Facility, on-site training has been provided on the Mail Condition Reporting System (MCRS) to both Grand Island EAS employees, including the Operations Support Specialist and the Supervisor Distribution Operations. EAS schedules have been adjusted to cover days off. Training has also been provided on the proper clearance and dispatch of all mail flows. In addition, In Plant Support employees, or their designee, from the Omaha P&DC will review the established processes quarterly, with a mail flow audit for validation of proper MCRS reporting.

Target Implementation Date:

September 30, 2016

Responsible Official:

Sr Plant Manager, Central Plains District

Greg Graves

CC: Vice President, Network Operations – Western Area
Erica Brix, Manager, Operations Support – Western Area
Pam Cook, Sr Plant Manager - Central Plains District
Manager, Corporate Audit Response Management

1745 STOUT STREET SUITE 1000
DENVER CO 80299-5000
303-313-5101
FAX: 303-313-5102
WWW.USPS.COM



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1735 North Lynn Street
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(703) 248-2100